

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 7311

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E.O. 11652: N/A

TAGS: BBAK, BGEN, CG

SUBJECT: KINSHASA OFFICE TELECOMMUNICATIONS ASSOCIATES

INTERNATIONAL TO CLOSE

1. SUMMARY: E-SYSTEMS SUBSIDIARY TELECOMMUNICATIONS ASSOCIATES INTERNATIONAL HAS DECIDED TO WITHDRAW ITS REPRESENTATIVE FROM KINSHASA. TAI HAS BEEN UNABLE COMMENCE LONG PLANNED PROJECT DUE TO FOREIGN EXCHANGE CRUNCH. DEPT. REQUESTED TO DISCUSS DECISION WITH TAI OR E-SYSTEMS.

2. DURING THE PAST YEAR AND A HALF TAI, A SUBSIDIARY OF E-SYSTEMS, HAS MAINTAINED A LOCAL REPRESENTATIVE IN KINSHASA. HE IS ENOCH SITHOLE (YOUNGER BROTHER OF THE RHODESIAN NATIONALIST LEADER), A W. GERMANY AND TAI TRAINED COMMUNICATIONS ENGINEER. SITHOLE ESTABLISHED CONTACT WITH THE EMBASSY IMMEDIATELY AFTER HIS ARRIVAL IN KINSHASA FROM TEHRAN FOR ORIENTATION PURPOSES AND HAS MAINTAINED CLOSE CONTACT EVER SINCE. ALTHOUGH SOMEWHAT NAIVE IN THE WAYS OF THE BUSINESS WORLD UPON ARRIVAL, HE HAS NEVERTHELESS APPLIED HIMSELF WELL AND USING HIS TECHNICAL KNOWLEDGE AS LEVERAGE HAS ESTABLISHED WIDE CONTACTS AMONG END USERS OF COMMUNICATION EQUIPMENT WHERE HE IS HIGHLY RESPECTED FOR HIS INTEGRITY AND COMPETENCE. IN SHORT SITHOLE HAS BUILT UP A SIZEABLE INVESTMENT IN CONTACTS AND GOODWILL FOR TAI FROM WHICH THE EMBASSY HAS ALSO BENEFITED.

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2. DESPITE THE ABOVE, E-SYSTEMS UNDERSTANDABLY CONCERNED ABOUT THE DRAIN ON RESOURCES NECESSARY TO KEEP SITHOLE ON SITE HERE WHEN IT HAS NOT BEEN JUSTIFIED BY CURRENT INCOME. THEY HAVE A SIGNED CONTRACT HERE TO SET UP A MOCRO-WAVE COMMUNICATIONS SYSTEM ALONG THE KINSHASA-MATADI ROAD FOR THE GENDARMES BUT SO FAR THE GOZ HAS NOT MADE THE STIPULATED ADVANCE PAYMENT AND THE PROJECT REMAINS MORIBUND. LIKEWISE SITHOLE HAS BEEN ON THE VERGE OF CONCLUDING A CONTRACT, AGAINST SIZEABLE COMPETITION, WITH THE BANK OF ZAIRE FOR THE INSTALLATION OF A MOCRO-WAVE SYSTEM CONNECTING THE REGIONAL BANKS TO THE KINSHASA HEADQUARTERS. THIS REMAINS UNSIGNED PRINCIPALLY DUE TO THE FOREIGN EXCHANGE SITUATION. ADDITIONALLY, TAI PRESIDENT WILLIAM HALL WAS SCHEDULED TO COME TO KINSHASA DURING THIS PERIOD TO COMMENCE NEGOTIATIONS FOR A MASTER COMMUNICATIONS PLAN FOR ZAIRE. TAI HAS BEEN ASKED TO POSTPONE THE VISIT FOR A YEAR.

3. NOW, SITHOLE HAS BEEN ORDERED TO CLOSE DOWN THE KINSHASA OPERATION AND MOVE BACK TO THE TEHRAN REGIONAL OFFICE FROM WHERE HE WOULD STILL BE EXPECTED TO COVER AFRICA. SITHOLE SEES THIS AS A STEP THAT WOULD NOT ONLY LOSE THE POSITION HE HAS BUILT UP HERE BUT IT WOULD ALSO NOT RESULT IN ANY SAVINGS SINCE IT WOULD PRESUMABLY COST AS MUCH TO KEEP HIM IN TEHRAN AS KINSHASA. YET, HE WOULD HAVE TO TRAVEL MORE OVER LONGER DISTANCES. IN THIS SITUATION SITHOLE IS PREPARED EITHER TO LEAVE TAI OR TO OFFER HIS SERVICES TO TAI, AND OTHERS, AS AN AGENT.

4. ALTHOUGH EMBASSY CAN APPRECIATE TAI'S FRUSTRATION AT NOT BEING ABLE TO GET ANYTHING OFF THE GROUND HERE, MR. HALL ON HIS PREVIOUS VISIT TO KINSHASA SEEMED TO REALIZE THAT THIS WAS A LONG HAUL OPERATION THAT WOULD REQUIRE CONSIDERABLE INVESTMENT BEFORE ANY PAYOFF WAS FORESEEN. THIS DOLDRUM IN TAI'S FORTUNES HERE DUE TO CURRENT ECONOMIC SITUATION WHICH, OF COURSE, HAVING SIMILAR EFFECT ON MANY FIRMS. IN THIS REGARD EMBASSY HAS BEEN COUNSELING REPRESENTATIVES OF US FIRMS TO SEEK A WAY THROUGH THE CURRENT ECONOMIC MALAISE WITH THE EXPECTATION THAT MEDIUM TO LONG RANGE PROSPECTS LOOKED BETTER AND THEREFORE POSSIBLY WORTH THE SHORT RANGE SACRIFICE. (HALL HIMSELF RECOUNTED WHILE HERE HOW WHEN HE FIRST WENT INTO IRAN THE ECONOMIC SITUATION WAS SIMILARLY BLEAK BUT TAI PRESERVED AND IT WAS THEREFORE IN A POSITION TO PROFIT FROM THEIR PATIENCE AND FORESIGHT WHEN THE BOOM CAME).

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NEVERTHELESS, E-SYSTEMS EXECUTIVES WERE KNOWN TO HAVE MISGIVINGS ABOUT OPENING THE OFFICE IN ZAIRE AND SITHOLE SEES THEM AS PROBABLY BEING THE MAJOR OBSTACLE TO CONTINUING THE KINSHASA OFFICE.

5. ACTION REQUESTED: EMBASSY WOULD APPRECIATE A DEPARTMENT OFFICER, THOROUGHLY FAMILIAR WITH THE CURRENT SITUATION IN ZAIRE, CALLING HALL AT TAI'S FALLS CHURCH, VA. HEADQUARTERS AND EXPLORING THIS DECISION TO CLOSE DOWN THEIR KINSHASA OFFICE. COMMUNICATIONS

REMAIN A HIGH PRIORITY SECTOR IN ZAIRE AND AS SOON AS THE BALANCE OF PAYMENTS SITUATION IS RELIEVED, EMB OPTIMISTIC THAT PRESENT COMMITMENTS WILL BE MET AND THERE WILL BE FUTURE OPPORTUNITIES FOR PURVEYORS OF HIGH QUALITY TECHNOLOGY LIKE TAI. (THE CURRENT SITUATION DOES NOT SEEM TO HAVE DAMPENED THE EFFORTS OF TAI'S PRINCIPAL COMPETITORS PHILLIPS AND THOMPSON CSF). THE DEPT. MAY WISH, ALTERNATELY, TO EXPLORE THIS ISSUE WITH THE RESPONSIBLE E-SYSTEMS EXECUTIVE D.R. TACKE.  
CUTLER

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